

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
JULY 28-29, 1997
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on July 28 and 29, 1997 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Byron G. Cudmore, Gayl S. Pyatt and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph C. Haughey, Kevin Lockhart and Thomas Swaik, Chief Legal Counsel Mareile' B. Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order on July 28, 1997 at 2:10 p.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Pending and Probable Litigation Matters**
- 4. Investigatory Matters**
- 5. Personnel Matters**
- 6. Closed Session Minutes**

Member Cudmore seconded the motion. The Board adopted the motion by unanimous consent.

The Board recessed for the day at 5:45 p.m.

The Board reconvened in Closed Session on July 29, 1997 at 9:38 a.m.

The Board convened in Open Session at 12:08 p.m.

Board Minutes

Member Browder moved **that the Board approve the minutes from the open and closed sessions of the June 24, 1997 regular meeting and the minutes from the open and closed sessions of the July 17, 1997 special meeting.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

Chairman Johnson stated that on June 24 the Board heard an initial presentation request from Empress-Joliet regarding approval for a capital improvement project. Empress has requested that this matter be deferred for final consideration until the September meeting.

The Chairman stated that the Board will hold its September meeting in Elgin. Elgin Riverboat Resort will be requesting its initial renewal. Chairman Johnson announced that Byron Cudmore will be assuming his new position as a U.S. Magistrate Judge in September. The Board thanked Member Cudmore for his contributions to the Board's work and wished him well.

Administrator's Report

Administrator Belletire summarized the following monthly statistical reports: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and, Internal Control System changes.

The Administrator also reported that:

- Staff assessed (state) FY '97 data with FY '96 data and provided a table to the Board depicting the comparative results. Nine of the ten licensees saw declines in AGR. Elgin saw increased AGR to a record level of \$239 million. Staff project that AGR for FY '98 will largely mirror FY '97.
- A definitive sale agreement has been reached under which Boyd Gaming will purchase the "Guidry interests" in the Treasure Chest riverboat in Kenner, Louisiana.
- The proposed rules outlined at the June meeting will be refined to incorporate comments and concerns made by Owner licensees and will be presented for initial adoption at the September meeting.
- Lt. Roger Shiels has been selected by Deputy Administrator Joe Haughey and the Administrator to fill a new position in the Enforcement Division. The new position, Chief of Licensure and Investigations, will coordinate all licensure activities and oversee investigations of owners, suppliers and key persons.
- Jim Thomason, General Manager of the Grand Victoria, was appointed to the position of General Manager at the Monte Carlo Hotel and Casino in Las Vegas. Terri Porcaro, who served as Grand Victoria's Casino Manager, will assume Mr. Thomason's position.
- Larry Lacaff, who headed Harrah's Entertainment Riverboat Division, has left Harrah's. Harrah's will no longer have a separate riverboat division.
- Casino Rock Island hired C.J. Graham as Vice President and General Manager.
- Dennis Brown has resigned as General Manager of Empress-Joliet.

- The Illinois Attorney General will be filing an amicus brief with the Federal Appellate Court in the Vinson v. Casino Queen case.

Owner Licensee Items

SOUTHERN ILLINOIS RIVERBOAT CASINO CRUISES ("SIRCC") - Mike Ficaro, representing SIRCC, requested initial consideration for a proposed amendment to a senior credit facility. Final decisions concerning the amendment are still being considered by the company and the credit banks.

EMPRESS CASINO - JOLIET ("Empress") - Michael Hansen, representing Empress, requested initial consideration of a waiver of rule 3000.510 to permit dockside gaming for 14 days, from September 22 through October 5. Mr. Hansen stated that the port and starboard main engines on the Empress II will be overhauled.

HP, INC. ("HP") - Chairman Johnson stated that at the Special meeting of the Board on July 17, the Board directed the Administrator to ask HP, Inc. to give a status report on its activities at today's meeting.

Joseph McQuaid, representing HP reported that HP will cancel all remaining cruises effective July 29, 1997 at 6:00 p.m. and will work with Gaming Board staff to close the operations.

Chairman Johnson asked if HP understands its responsibilities and requirements to the Board during the period of time that HP is going through the hearing process. Mike Ficaro responded that HP recognizes its obligations as a result of the status of its license. Mr. Ficaro further stated that HP may disagree with the Board on what its obligations are but understands the Board's position.

The Administrator stated that the Board has been given various communications exchanged between HP and members of staff. He reported that HP and staff have had several meetings and it is the Administrator's understanding that the Board is in agreement with the direction staff has provided to HP. The Administrator further reported that HP representatives have been cooperative and that staff from Enforcement and Audit are working with HP at the East Dubuque site in order to assure an orderly cessation and accounting of assets.

Mr. McQuaid requested approval of Dennis Carpenter as a key person.

Member Vickrey moved **that the Board approve Dennis B. Carpenter as an Occupational License Level One of HP, Inc.** Member Cudmore seconded the motion. The Board approved the motion unanimously by voice vote.

ALTON GAMING COMPANY ("Alton") - Mark Heffernan, representing Alton, requested approval of Jeffrey Pour as a key person.

Member Cudmore moved **that the Board approve Jeffrey Pour as an Occupational License Level One of Alton Gaming Company.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

CASINO QUEEN - Edward Duffy, representing Casino Queen, requested renewal of its Owner's license.

Member Cudmore asked Mr. Duffy to explain where Casino Queen is headed with the Community Development Foundation ("Foundation") and asked if the administrative costs will be decreased. Mr. Duffy stated that the Casino Queen Board of Directors is taking steps to improve controls at the Foundation. He stated that there will be no more small business loan guarantees made by the Foundation. The Casino Queen Board and the Foundation will focus on contributions to charitable organizations in the community and the current administrative costs of the Foundation will be substantially reduced over the next several months.

Mr. Duffy also stated that the Foundation has become involved with the Department of Commerce and Community Affairs and the local office of the U.S. Small Business Administration. The Foundation has developed a small business development office that is maintained at the Casino Queen facilities and is working to qualify under Section 501(c)(3) of the Internal Revenue Code. This office assists small businesses in the East St. Louis area.

As a result of agreements with South Western Illinois Development Authority ("SWIDA") the Foundation has agreed to contribute \$200,000 a year, increasing by \$20,000 a year over the next ten years, towards economic development and redevelopment in East St. Louis.

Member Pyatt complimented the Casino Queen on its improved efforts at purchasing from Illinois businesses.

Chairman Johnson asked for a report on the proposed capital improvement projects for Casino Queen. Mr. Duffy stated that the proposed capital improvements are proceeding, with an RV park currently under construction. It is the Casino Queen's commitment to break ground on the hotel/entertainment center by December, 1997. Negotiations are in progress for financing of the pending projects.

Administrator Belletire stated that staff supports the renewal of Casino Queen. He noted staff's view that the financial projections developed by the licensee require revisions.

Member Pyatt moved **that the Board approve Casino Queen's application for renewal of its Owner's license for a period of one year expiring July, 1998. In renewing the Owner's license, the Board orders the following:**

1. **The Casino Queen owners involved in pending inquiries must take reasonable steps to assure that those matters are, to the extent feasible, resolved prior to the October, 1997 Board meeting;**
2. **The Casino Queen must continue to improve the effectiveness of its Community Development Foundation to provide a more focused charitable agenda and to contain administrative costs; and**

3. The Casino Queen must submit to the Board revised financial projections so as to reflect its proposed capital improvement projects and revised revenue estimates for the years ended 1997 through 1999.

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman Johnson stated that the Board received reports in closed session on contracts entered into by individuals and key persons of the Casino Queen and that the Board is prepared to initiate further action in this matter.

Member Cudmore moved **that the Board authorize the creation of a three person panel to render a determination on the fair market value of certain contracts involving Key Persons of the Casino Queen.**

I further move that the Board authorize the Administrator to finalize the procedural aspects of the work of this panel subject to the Board's final review. Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

The Chairman further stated that he will make an appointment of the three person panel once the details of the procedural aspects are worked out.

DES PLAINES DEVELOPMENT LIMITED PARTNERSHIP ("Harrah's") - Andy Duggan, representing Harrah's, introduced several members of the Harrah's staff and informed the Board that Patrick Dennehy was unable to attend the meeting due to illness. Mr. Duggan requested renewal of its Owner's license.

Member Cudmore asked what Harrah's policy, practice or procedure is when Harrah's identifies a problem gambling situation reported by a spouse. Mr. Duggan stated that Harrah's tries to speak with the reported person so that the individual knows that someone is concerned with their gaming activity. Member Cudmore asked how far down the chain of command this duty is carried. Mr. Duggan stated that all of Harrah's employees are trained on responsible gaming and that employees are trained to bring this type of complaint to a manager or director for action. Member Cudmore asked if Harrah's provides any information to the reported problem gambler, such as a palm card. Mr. Duggan stated that information is available throughout the boat with regard to problem gambling. Member Cudmore asked if Harrah's takes any action to prevent the extension of credit to a person who has been identified to the casino as a problem gambler. Mr. Duggan stated that a decision is made on a case by case basis and that there is not one set of standard rules.

Chairman Johnson asked for further clarification. Mr. Duggan stated that Harrah's would discuss the extension of credit with both parties. Chairman Johnson asked what the procedure is if an individual comes to the casino and says, "I think my spouse has a gambling problem". Chairman Johnson asked if Harrah's immediately ceases extending credit and check cashing privileges. Mr. Duggan stated that the spouse would be stopped from obtaining credit but that a person would most likely be able to continue cashing personal checks. Chairman Johnson

asked for the time period in which a meeting is set up to resolve the conflict between the spouses. Mr. Duggan stated that they would speak to both parties immediately.

Chairman Johnson explained that a complaint was registered with the Board from a man asserting that his wife was a problem gambler. The man stated that he requested Harrah's and Empress to terminate her check cashing privileges, but the casinos were uncooperative. The Chairman stated that the Board is trying to find out what are the established procedures for when this type of situation occurs and his concern that without established procedures it is left up to each individual casino employee to decide how to handle or judge this type of complaint.

The Administrator stated that Harrah's Credit manager conveyed to staff that Harrah's policy is to place the account holder on "Credit Stop" which suspends their check cashing privileges and credit availability through the casino. An inquiry and resolution follows.

Administrator Belletire stated that staff supports the renewal of Des Plaines Development Limited Partnership.

Member Browder moved **that the Board approve Des Plaines Development Limited Partnership's application for renewal of its Owner's license for a period of one year expiring August, 1998. In renewing the license, the Board notes the following:**

- 1. The Board commends Harrah's for its continued involvement in the economic renewal of the City of Joliet and for encouraging civic involvement on the part of its employees; and**
- 2. The Board commends Harrah's for restructuring its management services contract with Harrah's Illinois Corporation so as to obviate this company's receipt of a percentage of gaming revenues from the Illinois licensee.**

Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

HOLLYWOOD CASINO AURORA ("HCA") - Ed Pratt, representing HCA, introduced several members of the HCA staff and informed the Board that Richard Knight was unable to attend the meeting due to out of town business. Mr. Pratt requested renewal of its Owner's license.

Member Vickrey asked for comment on an article in the Sun Times that quoted Mr. Knight as saying "Indiana casinos have built facilities that are much larger, much more spacious, much more customer friendly than in Illinois." Patt Medchill, Executive Vice President of HCA, stated that Mr. Knight was referring to the facility itself being more customer friendly, not the employees nor how patrons are treated. Mr. Pratt added that HCA is working to make its facility more competitive and customer friendly. HCA is looking to decrease the "queuing" time so that patrons can enter or exit the boat more quickly. Mr. Pratt stated that HCA continues to find ways to better its position in the market.

Member Vickrey asked Mr. Pratt to comment on the company's experiences in other gaming jurisdictions. Mr. Pratt stated that HCA also operates in Tunica, Mississippi and, through

Greate Bay Hotel Company, in Atlantic City, New Jersey. Member Vickrey asked if HCA is seeing a change in its other markets. Mr. Pratt stated that Tunica is continuing to grow, making it the third or fourth largest market in the country. Mr. Pratt feels Tunica is a growing market because of its location. He reported that Tunica improved its interstate access, has a large expanse of land, added infrastructure, hotels, RV parks and various forms of entertainment. Tunica also has several large metropolitan areas in close proximity. Mr. Pratt reported that Atlantic City is not a market that is growing substantially because it is a more mature market with a high incentive business (coupons, coins or bus packages). Atlantic City's competition is from race tracks in Delaware and Indian gaming operations in Connecticut.

Chairman Johnson asked how HCA is doing on resolving its management agreement. Mr. Pratt reported that HCC continues to explore the issue and desires to find a means to restructure the relationship between HCA, HCC and Pratt Management. To date restrictive covenants have prevented a cost-effective restructuring.

Member Vickrey asked for HCA's analysis of the increase in admissions and the decline in AGR for FY '97. Mr. Pratt stated that HCA lost some business to Indiana. To compete, HCA has shortened its cruise schedule and picked up patrons in communities west and northwest of Aurora.

Administrator Belletire stated that staff supports the renewal of HCA.

Member Cudmore moved **that the Board approve Hollywood Casino Aurora's application for renewal of its Owner's license for a period of one year expiring in July, 1998. In renewing the license, the Board requests:**

- **That Hollywood continue to work toward amending its management agreement with Pratt Management, LP in order to eliminate the percentage based management fee arrangement and to specify more clearly the services provided and the fair market value of such services.**

Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

EMPRESS CASINO-JOLIET - Fred Foreman, representing Empress, requested renewal of its Owner's license.

Pete Ferro addressed the Board and reiterated commitments discussed at the June Board meeting. He stated that Empress is committed to maximize revenues, operate Joliet at its full potential, see that the Joliet area prospers through economic development and increased tourism, conduct business affairs in a professional manner and work within the regulatory framework. Mr. Ferro stated that Empress is committed to meet these objectives and to work with IGB staff to resolve outstanding issues.

Joseph Canfora stated that Empress is committed to maintaining state compliance. He stated that Empress has taken steps to address past compliance issues and strengthen communications with the Board and staff. Mr. Canfora stated the following:

- Empress is committed to continue to build a strong professional management team. He announced that David Fendrick is the new Vice President/General Manager of the Empress Casino-Joliet.
- Empress will work to maximize its revenues through aggressive marketing and continue to build on the Empress brand name.
- Empress will remain a catalyst for economic and community growth in Illinois.
- Empress will seek to establish an unyielding commitment to compliance.

Member Vickrey asked about competition from Indiana and Empress-Joliet's future revenues. Mr. Canfora responded that he feels confident that the company will improve due to enthusiastic employees, excellent food amenities, slot layout and signage, additional hotel rooms and a proposed RV park. In response to Member Vickrey, Mr. Canfora stated that the proposed RV park will open in the Spring of 1998.

Member Vickrey asked the licensee to comment on the timing of the impact of Indiana operations on revenue in Illinois. John Costello responded that the impact was immediate when Indiana's first two boats opened in June, 1996, as Empress-Joliet revenues decreased by 32 percent.

In response to Member Cudmore, Mr. Canfora stated that his role at the Empress-Hammond is President. As President, his role is to provide services to each property, direct strategic planning, and assist each General Manager in maximizing revenues at their property.

Member Pyatt commented to Mr. Canfora that the Board takes its concerns about Empress seriously and that he is indeed, in a challenged and difficult situation, with the charge of having to compete against oneself. Mr. Canfora stated that he is committed to Empress' success and resolving all issues and concerns of the Board.

Member Vickrey applauded Empress for its economic impact and contributions to improving Joliet and Will County.

Chairman Johnson asked about the status of the outstanding Empress notes and loans to related parties. Mr. Costello responded by discussing the status of the bank loan to Empress-Hammond.

Chairman Johnson asked about Empress' policy when a person informs them of their spouse's problem gambling behavior and asks that their credit and check cashing privileges be terminated. Mr. Hansen responded that Empress does not have a written policy. Complaints are handled on a case by case basis. Chairman Johnson noted his concern for a lack of policy at both Harrah's and Empress. The Chairman directed staff to evaluate this issue as regards all licensees and to prepare a report to the Board on the subject.

Administrator Belletire reported that staff noted several compliance issues with Empress-Joliet over the past year. Staff recommends renewal and is working to guide and direct Empress towards improvement.

Member Vickrey moved that the Board approve Empress Casino-Joliet's application for renewal of its Owner's license for a period of one year expiring July, 1998. I further move that the Board commend Empress for its continued involvement in the economic development and tourism efforts in the city of Joliet and county of Will. In renewing the license, the Board orders the following:

1. The Empress Casino-Joliet must create a visible, measurable and permanent division between Empress-Joliet and Empress-Hammond;
2. The Empress Casino-Joliet must demonstrate a commitment to competing with gaming operations in other jurisdictions;
3. The Empress Casino-Joliet must demonstrate efforts to assure adherence to fair market value and arms length negotiations with related parties;
4. The Empress Casino-Joliet's board of directors must adhere to more rigorous formalization and documentation of their decisions;
5. The Empress Casino-Joliet's owners and board of directors should empower its executive management to function with greater executive authority;
6. The Empress Casino-Joliet must effectuate changes to unambiguously demonstrate that Empress will no longer condone misconduct by the members of the Empress board and its executive management; and
7. The Empress Casino-Joliet must demonstrate measurable improvements in its compliance to procurement procedures and to its internal controls. In addition, the Board directs its staff to perform an audit within the next six months to verify that such improvements are being made.

Member Cudmore seconded the motion. The Board approved the motion unanimously by voice vote.

SHUFFLEMASTER, INC. - Cathy Worley, representing Shufflemaster, requested renewal of its Supplier's license.

Member Browder moved that the Board approve Shufflemaster Inc.'s application for renewal of its Supplier's license for a period of 4 years expiring July, 2001. Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

CASINO DATA SYSTEMS ("CDS") - Donna More, representing CDS, requested approval of its initial Supplier's license.

In response to Chairman Johnson, Ms. More stated that CDS modified its application and requested to only be approved for electronic gaming devices ("EGDs"). CDS withdrew its request to distribute progressive games.

Administrator Belletire stated that staff is recommending that the Board clarify in its motion that CDS only be approved to distribute EGDs and noted that CDS could come forward at a later date to request approval of other products that the company manufactures.

Member Pyatt moved **that the Board approve Casino Data System's application for a Supplier's license. This initial Supplier's license is for a period of one year expiring July, 1998 and would cover the supplying of Electronic Gaming Devices. In approving the license the Board imposes the following conditions:**

- 1. Casino Data Systems is not authorized to supply Caribbean Stud Video Poker or any other product originating from any outside source.**
- 2. Any request on the part of Casino Data Systems to sell, lease or distribute any device or product produced or developed in conjunction with an outside source shall be submitted to the Board on an individual basis in accordance with the requirements of Board rule 3000.242; and**
- 3. In cases where Casino Data Systems joins with any outside source to market, sell, lease or distribute any product, Casino Data Systems shall perform a "due diligence" investigation on the outside source and submit to the Board a report of the results of its due diligence.**

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Cudmore moved **that the Board approve 100 applications for an Occupational License, Level 2, and 260 applications for an Occupational License, Level 3, and deny 2 applications for an Occupational License, Level 2 and deny 1 application for an Occupational License, Level 3.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearings/ALJ Reports

Member Pyatt moved **that the Board, having reviewed the administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and revoke the level 2 Occupational license of Terry Foster.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Member Pyatt moved **that the Board deny the hearing requests submitted by the following due to their failure to comply with Board Rule 3000.405: David Matthews and Peter Woods** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Mareile' Cusack gave an update on complaints against Empress Casino-Joliet and certain of its personnel issued by the Board on June 24, 1997. Ms. Cusack stated that staff received the

Answers to the complaints on time but the Answers filed were defective. Board rule 3000.1125 requires all Answers to be verified and notarized. None of the Answers filed followed this rule. Staff is recommending that the Board deny the hearing requests.

Member Cudmore moved **that the Board deny the hearing request submitted by the following due to their failure to comply with Board rule 3000.1125:**

Robert Kegley, Complaint Number DC-97-20
Dennis Brown, Complaint Numbers DC-97-19 and 22
Robert Gardner, Jr., Complaint Number DC-97-16
John Matravers, Complaint Number DC-97-17
Viola Avants, Complaint Numbers DC-97-18
Empress Casino Joliet, Complaint Numbers DC-97-21 and DC-97-23
through DC-97-32

Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Ms. Cusack also stated that by the Board denying the hearing requests the complaints become a final action of the Board and the sanctions set forth in the individual complaints become effective immediately.

Member Pyatt asked Ms. Cusack what the past practice has been in acting on such Answers. Ms. Cusack stated that in the past the Board has consistently denied all hearing requests that have not been verified and notarized.

Member Cudmore stated that it has been an honor to serve on the Board and a pleasure to work with Mr. Belletire, Ms. Cusack and staff. Member Pyatt commended staff on its work over the past several months in keeping the Board informed and that the Board appreciates all of staff's hard work and efforts.

There being no further business to come before the Board, Member Cudmore moved **that the Board stand adjourned**. Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:08 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board